

TIPITINA'S FOUNDATION, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-28-07

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Tipitina's Foundation, Inc.
New Orleans, LA

We have audited the accompanying statements of financial position of Tipitina's Foundation, Inc. (a nonprofit organization) as of December 31, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tipitina's Foundation, Inc. as of December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

February 7, 2007


Certified Public Accountants

TIPITINA'S FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2005 AND 2004

<u>ASSETS</u>	2005	2004
<u>CURRENT ASSETS:</u>		
Cash	\$ 850,643	\$ 141,776
Instruments inventory	22,988	-
Total current assets	873,631	141,776
<u>PROPERTY, PLANT AND EQUIPMENT:</u>		
Furniture and equipment	257	18,398
Leasehold improvements	32,283	-
	32,540	18,398
Less: accumulated depreciation	(1,532)	(3,281)
Net property, plant and equipment	31,008	15,117
Total assets	\$ 904,639	\$ 156,893
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 39,834	\$ 24,711
Accrued payroll and related expenses	9,658	3,182
Deferred revenue	162,842	73,900
Total current liabilities	212,334	101,793
<u>NET ASSETS:</u>		
Unrestricted	537,909	47,600
Temporarily restricted	154,396	7,500
Total net assets	692,305	55,100
Total liabilities and net assets	\$ 904,639	\$ 156,893

See accompanying NOTES TO FINANCIAL STATEMENTS

TIPITINA'S FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
<u>UNRESTRICTED NET ASSETS</u>		
<u>Unrestricted revenue:</u>		
Contributions	\$ 984,257	\$ 436,250
Grants	216,058	81,100
Program income	4,600	5,631
Other income	1,000	-
Loss on asset disposal	(12,334)	-
	1,193,581	522,981
<u>Net assets released from restrictions:</u>		
Restrictions satisfied by payments	7,500	-
	1,201,081	522,981
<u>Expenses:</u>		
Program services:		
Hurricane relief program	51,036	-
Instruments programs	92,626	48,006
Tipitina's internship program	173,599	219,284
Music office co-op	207,566	82,895
	524,827	350,185
Supporting services:		
General and administrative	68,233	32,312
Fundraising	117,712	93,789
	185,945	126,101
Total expenses	710,772	476,286
Increase in unrestricted net assets	490,309	46,695

See accompanying NOTES TO FINANCIAL STATEMENTS

TIPITINA'S FOUNDATION, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
<u>Temporarily restricted revenue:</u>		
Contributions	154,396	7,500
Total temporarily restricted revenue	154,396	7,500
<u>Net assets released from restrictions:</u>		
Restrictions satisfied by payments	(7,500)	-
Increase in temporarily restricted net assets	146,896	7,500
Increase in net assets	637,205	54,195
Beginning net assets	55,100	905
Ending net assets	\$ 692,305	\$ 55,100

See accompanying NOTES TO FINANCIAL STATEMENTS

TIPITINA'S FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries expense	\$ 136,484	\$ 9,171	\$ 28,391	\$ 174,046
Payroll taxes	10,763	723	2,239	13,725
Total salaries and related expenses	147,247	9,894	30,630	187,771
Consulting and contract labor	47,528	16,971	48,427	112,926
Contributions	-	4,026	-	4,026
Equipment rental	1,418	-	-	1,418
Facilities rent	82,846	750	8,700	92,296
Filming and CD production	3,056	3,400	-	6,456
Instructors	41,486	-	-	41,486
Instruments and other direct assistance	89,101	-	-	89,101
Insurance	9,235	-	-	9,235
Miscellaneous	672	591	-	1,263
Postage	2,259	370	851	3,480
Printing and promotions	2,304	3,266	4,459	10,029
Professional services	40	13,393	-	13,433
Repairs and maintenance	3,568	-	-	3,568
Supplies and office expense	9,691	2,089	208	11,988
Telephone and internet	10,262	550	-	10,812
Travel	16,911	-	709	17,620
Utilities	23,470	-	-	23,470
Events and seminars expenses	33,733	8,617	23,728	66,078
Total expenses before depreciation	524,827	63,917	117,712	706,456
Depreciation	-	4,316	-	4,316
Total expenses	\$ 524,827	\$ 68,233	\$ 117,712	\$ 710,772

See accompanying NOTES TO FINANCIAL STATEMENTS

TIPITINA'S FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries expense	\$ 106,204	\$ 9,445	\$ 337	\$ 115,986
Payroll taxes	8,999	800	28	9,827
Total salaries and related expenses	115,203	10,245	365	125,813
Consulting and contract labor	3,844	-	68,000	71,844
Contributions	-	-	-	-
Equipment rental	10,005	-	-	10,005
Facilities rent	68,535	-	-	68,535
Filming and CD production	12,559	-	-	12,559
Instructors	28,427	-	-	28,427
Instruments and other direct assistance	42,800	-	-	42,800
Insurance	-	-	-	-
Miscellaneous	98	850	-	948
Postage	-	2,371	592	2,963
Printing and promotions	7,869	5,266	4,966	18,101
Professional services	-	7,030	-	7,030
Repairs and maintenance	-	-	-	-
Supplies and office expense	3,550	2,589	2,339	8,478
Telephone and internet	17,890	-	-	17,890
Travel	7,617	660	-	8,277
Utilities	8,543	-	-	8,543
Events and seminars expenses	23,245	500	17,527	41,272
Total expenses before depreciation	350,185	29,511	93,789	473,485
Depreciation	-	2,801	-	2,801
Total expenses	\$ 350,185	\$ 32,312	\$ 93,789	\$ 476,286

See accompanying NOTES TO FINANCIAL STATEMENTS

TIPITINA'S FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>CASH FLOWS FROM/(USED FOR) OPERATING ACTIVITIES:</u>		
Increase in net assets	\$ 637,205	\$ 54,195
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	4,316	2,801
Donated furniture and equipment	-	(4,488)
Donated instruments	(22,988)	-
Loss on asset disposal	12,334	-
Increase in:		
Accounts payable	15,123	16,711
Accrued payroll and related expense	6,476	459
Deferred revenue	<u>88,942</u>	<u>73,900</u>
Net cash from operating activities	<u>741,408</u>	<u>143,578</u>
<u>CASH FLOWS FROM/(USED FOR) INVESTING ACTIVITIES:</u>		
Capital expenditures	<u>(32,541)</u>	<u>(9,110)</u>
Net cash (used for) investing activities	<u>(32,541)</u>	<u>(9,110)</u>
Net increase in cash	708,867	134,468
Cash at beginning of year	<u>141,776</u>	<u>7,308</u>
Cash at end of year	<u>\$ 850,643</u>	<u>\$ 141,776</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

TIPITINA'S FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Tipitina's Foundation, Inc. (the Foundation) is chartered in the State of Louisiana as a non-profit corporation. The Foundation is dedicated to providing New Orleans public schools with instruments, giving music students a broader exposure to the music business, and raising the awareness of New Orleans music as a cultural resource. The Foundation accomplishes this through the following programs: the instruments programs, which include the Instruments A' Comin' fundraiser to purchase instruments for schools and the Instrument Recycling Program, the Tipitina's Internship Program (T.I.P.), Music Office Co-Op Centers (Co-Op) and Hurricane Katrina Relief for Musicians.

All of the activities are carried out through public contributions, grants and monthly membership fees for use of the Co-Op Centers. Approximately 9% and 60% of unrestricted revenue in 2005 and 2004, respectively, were contributions of both cash and in-kind items from a member of the board of directors.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations* and SFAS No. 116 *Accounting for Contributions Received and Contributions Made*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TIPITINA'S FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Foundation had no cash equivalents at December 31, 2005 and 2004.

Instruments Inventory

All inventory was donated in 2005 and is valued at the estimated fair value at the date of donation.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Additions, improvements, and betterments to property, plant and equipment in excess of \$500 are capitalized. Depreciation is computed on the straight-line method over the following estimated useful lives:

Equipment	3 – 5 years
Furniture and fixtures	5 years
Leasehold improvements	15 years

Depreciation expense for the years ended December 31, 2005 and 2004 was \$4,316 and \$2,801, respectively.

Donations of furniture and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

TIPITINA'S FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Services

The Foundation receives a substantial amount of services donated by its supporters in carrying out the Foundation's administration, fund-raising campaigns and program services. No amounts have been reflected in the financial statements for these services since they do not meet the criteria for recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

Grant Revenues

Grant revenues are recorded as they are earned, according to the provisions of the grant. Normally, grant revenues are earned and received as the grant period progresses. The provisions of the grant determine the timing of revenue recognition. Grant expenses are recognized when incurred for a grant-related obligation.

Functional Expenses

Expenses are charged to program, administrative or fundraising based on a combination of specific identification and estimates developed by management.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

TIPITINA'S FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

(2) STATEMENT OF CASH FLOWS SUPPLEMENTARY DISCLOSURES

Non-cash investing activities during the year ended December 31, 2004 consisted of furniture and equipment received as donations valued at \$4,488.

(3) GRANT REVENUES

Grants revenue is comprised of grants received under various agreements with the State of Louisiana and Harrah's New Orleans Casino. For the years ended December 31, 2005 and 2004, grant awards totaled \$305,000 and \$155,000, respectively. In the accompanying financial statements for the years ended December 31, 2005 and 2004, \$216,058 and \$81,100 of the grant awards are reported as revenue and \$162,842 and \$73,900, respectively, is reported as deferred revenue.

(4) RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following:

	2005	2004
Music Office Co-Op, Baton Rouge, Louisiana	\$ 40,000	\$ -
Music Office Co-Op, Shreveport, Louisiana	-	7,500
Hurricane Relief for Musicians	114,396	-
	\$ 154,396	\$ 7,500

(5) CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to credit risk consist principally of cash. The Foundation maintains cash balances at one financial institution. Accounts at the institution are insured by Federal governmental agencies up to \$100,000. At December 31, 2005 and 2004, \$717,586 and \$52,530, respectively was uninsured and uncollateralized.

(6) ECONOMIC DEPENDENCY

The Foundation derives a material part of its revenues from contributions from a member of the board of directors. For the years ended December 31, 2005 and 2004, cash and in-kind revenues from this source totaled \$101,795 and \$328,585, respectively.

TIPITINA'S FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

(7) RELATED PARTY TRANSACTIONS

A member of the board of directors contributed \$0 and \$233,616 in cash and \$101,795 and \$94,969 of in-kind facilities usage and related facilities expenses for the years ended December 31, 2005 and 2004, respectively. In addition, a member of the board of directors provided consulting services to the Foundation totaling \$30,000 and \$20,000, respectively, for the years ended December 31, 2005 and 2004. As of December 31, 2005 and 2004, \$0 and \$20,000, respectively, was payable to this related party.

A member of the board of directors was paid \$30,050 and \$48,000 for consulting services during the years ended December 31, 2005 and 2004, respectively, of which \$4,000 was payable to this related party at December 31, 2004.

A member of the board of directors was paid \$3,750 for services as program staff during the year ended December 31, 2005.

Various companies owned by a member of the board of directors pays expenses on behalf of Tipitina's Foundation. These expenses are reimbursed by the Foundation. At December 31, 2005, liabilities owed to the above mentioned related parties totaling \$38,150 are included in accounts payable.

(8) HURRICANE KATRINA

On August 29, 2005, Hurricane Katrina devastated southeast Louisiana. The resulting wind damage and flooding caused extensive damage to the area and shutdown the economy of New Orleans, which has been slow to return. The Foundation temporarily relocated its administrative staff to Baton Rouge, Louisiana.

Due to hurricane damage and the displacement of many New Orleans residents the Foundation was forced to curtail or temporarily suspend some of its program service activities for the last four months of 2005. This resulted in 2005 program services expenses being less than management anticipated. Although the Foundation's program services were temporarily curtailed or suspended the Foundation continued, and stepped up, its administrative and fund raising activities. The Foundation's management believed this was necessary to insure the future of the Foundation and prepare for the high level of relief activities that would be needed during 2006.